

Message Text

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ORIGIN ARA-10

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TO AMEMBASSY LIMA NIACT IMMEDIATE

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E.O. 11652: N/A

TAGS: BDIS, EIND, EFIN, PE

SUBJECT: EXPROPRIATION NEGOTIATION -- CERRO SUBSIDIARY
BERA METALS

1. ON MARCH 14, CERRO CORPORATION ATTORNEY PENNOCK AND CERRO VICE PRESIDENT H.C. VAN ZANDT CALLED ON DEPUTY ASSISTANT SECRETARY SHLAUDEMAN TO REQUEST DEPARTMENT'S ASSISTANCE IN NEGOTIATIONS CURRENTLY UNDERWAY CONCERNING GOP PURCHASE OF FUNDICION DE METALES BERA DEL PERU S.A. (A NON-FERROUS FOUNDRY OWNED 50 PERCENT BY CERRO AND 50 PERCENT BY PAUL BERGSOE AND SON, A DANISH FIRM). THEY GAVE DEPARTMENT COPY NOTE SENT BY DANISH GOVERNMENT TO GOP (SEPTTEL) ASKING, INTER ALIA, THAT QUOTE FAIR ARRANGEMENT BE REACHED BY WHICH THE DANISH COMPANY ... IS FULLY INDEMNIFIED BY THE PERUVIAN GOVERNMENT UNQUOTE. NOTE ALSO
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REITERATED COMPANY'S CONCERN THAT AGREEMENT BE BASED ON
COMPENSATION BASED ON US DOLLARS OR OTHER CONVERTIBLE

CURRENCY, AND SUGGESTED DEADLINE FOR SETTLEMENT (MARCH 17)
BE EXTENDED 6 MONTHS. CERRO SPECIFICALLY REQUESTED THAT
USG ASK GOP TO ENSURE THAT, IN ANY SOLUTION WORKED OUT
BETWEEN GOP AND BERGSOE (WHO IS CONDUCTING NEGOTIATIONS FOR
BOTH FIRMS), CERRO ALSO RECEIVE FAIR TREATMENT, IDENTICAL
TO THAT ACCORDED BERGSOE. CERRO'S PRINCIPAL CONCERNS ARE
RECEIVING FAIR VALUE FOR ITS SHARE OF BERA FACILITIES AND
ASSURING THAT PORTION OF PAYMENT RECEIVED OVER TIME TO BE
EXPRESSED IN DOLLARS SO THAT REAL VALUE CANNOT BE DECREASED
BY DEVALUATION OF SOLE.

2. PENNOCK STATED THAT ON FEBRUARY 26 GOP (CENTROMIN)
RETRACTED AN OFFER TO PAY US DOLLARS OVER EIGHT YEAR
PERIOD FOR THE FACILITIES AND STATED THAT PAYMENT COULD
HENCEFORTH ONLY BE MADE IN SOLES WHICH COULD BE CONVERTED
INTO US DOLLARS AT RATE OF EXCHANGE QUOTED ON DATE
INCREMENTAL PAYMENTS DUE. (BERA SHAREHOLDERS, THUS,
WOULD BE ADVERSELY AFFECTED BY PROBABLY EVENTUAL DEVA-
LUATION OF SOLE.) PENNOCK AND GOP NOW OFFERING SOLES
70 MILLION FOR BERA FACILITIES, BUT ON FEBRUARY 26 PERU-
VIANS INFORMED BERGSOE THAT IF THEY DID NOT ACCEPT THAT
OFFER BY MARCH 17, GOP WOULD EXPROPRIATE PROPERTY AND
PAY ONLY SOLES 30 MILLION.

3. EMBASSY IS THUS REQUESTED TO DELIVER TO GOP BY MARCH
17 NOTE ON THIS MATTER. TEXT OF OPERATIVE PARAGRAPHS
FOLLOWS:

(A) THE EMBASSY OF THE UNITED STATES IS AWARE THAT SINCE
1970 NEGOTIATIONS HAVE BEEN HELD BETWEEN THE PERUVIAN
AUTHORITIES AND THE FIRM OF FUNDICION DE METALES BERA
DEL PERU, S.A., A CORPORATION, JOINTLY OWNED BY PAUL
BERGSOE AND SON, A DANISH CORPORATION WHICH IS THE MANAG-
ING PARTNER, AND THE CERRO CORPORATION, A U.S. CORPORATI-
ON. THE EMBASSY HAS ALSO BEEN ADVISED THAT ON MARCH 7,
1975 THE GOVERNMENT OF DENMARK DELIVERED A NOTE
CONCERNING THIS MATTER TO THE EMBASSY OF PERU IN COPEN-
HAGEN, ON BEHALF OF PAUL BERGSOE AND SON.

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HAGEN, ON BEHALF OF PAUL BERGSOE AND SON.

(B) THE EMBASSY OF THE UNITED STATES GENERALLY SHARES
THE VIEWS EXPRESSED BY THE GOVERNMENT OF DENMARK WITH
RESPECT TO THIS MATTER. IT IS ALSO THE DESIRE OF THE
GOVERNMENT OF THE UNITED STATES THAT A FAIR ARRANGEMENT
BE REACHED, AND THE GOVERNMENT OF THE UNITED STATES ASSU-
MES THAT IN MAKING SUCH ARRANGEMENTS, THE GOVERNMENT OF

PERU AND ITS CONCERNED AGENCIES WILL ACCORD TO THE CERRO
CORPORATION THE SAME EQUITABLE TREATMENT ACCORDED TO
CERRO'S DANISH PARTNER, PAULBERGSOE AND SON. INGERSOLL

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